

NO. 10-55946

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

COLUMBIA PICTURES INDUSTRIES, INC. *et al.*,
PLAINTIFFS-APPELLEES,

V.

GARY FUNG and ISOHUNT WEB TECHNOLOGIES, INC.,
DEFENDANTS-APPELLANTS.

On Appeal From The United States District Court
For The Central District of California
Case No. 06-cv-5578
Honorable Stephen V. Wilson District Judge

**BRIEF OF AMICUS CURIAE ELECTRONIC FRONTIER FOUNDATION
IN SUPPORT OF PETITION FOR REHEARING**

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**DISCLOSURE OF CORPORATE AFFILIATIONS AND
OTHER ENTITIES WITH A DIRECT FINANCIAL INTEREST IN
LITIGATION**

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure, amicus curiae Electronic Frontier Foundation states that it does not have a parent corporation, and that no publicly held corporation owns 10% or more of the stock of amicus.

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STATEMENT OF INTEREST

The Electronic Frontier Foundation (EFF) is a nonprofit civil liberties organization that has worked for more than 20 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 20,000 dues-paying members have a strong interest in assisting the courts and policy-makers in striking the appropriate balance between the interests of copyright owners and the public.

Pursuant to Federal Rule of Appellate Procedure 29(c)(5), EFF affirms that no one, except for undersigned counsel, has authored the brief in whole or in part, or contributed money towards its preparation. EFF also affirms that all parties have consented to the filing of this brief.

INTRODUCTION

This Panel Opinion is a classic case of bad facts making bad law. Amicus Electronic Frontier Foundation does not file this brief to dispute the Court’s factual conclusions regarding the conduct at issue in this case. However, the Panel Opinion went far beyond what was necessary to address that conduct. As a result, it has created new legal uncertainty for online service providers and their customers, undermining over a decade of legislation and jurisprudence designed to help reduce that uncertainty. A predictable legal environment has proven to be crucial not only the growth of the Internet generally, but the growth of innovative platforms for free expression, in particular. This case should not provide a vehicle to impede that development.

Most important, the Panel Opinion adopts a “loose causation theory” that disconnects the scope of inducement liability from the defendants’ acts—raising the troubling possibility that a single inducing act (such as a message to one customer) could open the floodgates to liability for third-party infringement entirely unrelated to that act. The Opinion’s loose causation theory conflicts with fundamental common law principles of proximate cause essential to both predictability and fairness. The Panel’s decision to depart from those principles was apparently based on the unfounded assumption that the Supreme Court’s decision in *Metro-Goldwyn-Mayer Studios Inc. v. Gorkster, Ltd.*, 545 U.S. 913

(2005) requires it. Not so. First, *Grokster* expressly recognized that secondary liability under copyright derives from common law principles. Second, given that *Grokster*'s specific inducement standard was imported from patent law, it is more likely that the Court also intended to import the analytical framework patent law applies where, as here, a service is capable of both infringing and non-infringing uses.

Thus, EFF urges the Court to grant the Petition for Rehearing and amend the opinion in order to ensure that it is not misinterpreted in future cases to unduly punish innovators who offer services with significant non-infringing uses.

ARGUMENT

I. Copyright Law and Policy Must Balance the Public Interests in Promoting Both Innovation and Creativity.

Numerous courts and commentators have stressed the importance of weighing copyright claims in light of copyright's public purpose: stimulating creativity and innovation, for the benefit of the public. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 n.10 (1984) (The purpose of copyright law is to promote “the progress of science and useful arts[.]” U.S. Const. art. I, § 8, cl. 8, and to serve “the welfare of the public[.]”); *id.* at 29 (Copyright law involves “a difficult balance between the interests of authors and inventors in the control and exploitation of their writings and discoveries on the one hand, and society’s competing interest in the free flow of ideas, information,

and commerce on the other hand.”); *Silvers v. Sony Entm’t*, 402 F.3d 881, 893 (2005) (quoting *Eldred v. Ashcroft*, 537 U.S. 186, 219 (2003)) (“The basic purpose of copyright is ‘to *promote* the creation and publication of free expression.’”) (emphasis in original); 1 Melville B. Nimmer & David Nimmer, Nimmer on Copyright § 1.03[A] (2005) (quoting *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932)) (“The primary purpose of copyright is not to reward the author, but is rather to secure ‘the general benefits derived by the public from the labors of authors.’”).

Unfortunately, copyright law will not serve that purpose in the digital age if it can be used as a club to punish legitimate service providers, such as webhosts, domain name registrars, and others, for the infringing conduct of their customers. In order to provide services to millions of users, service providers necessarily must make, manipulate, host, and transmit multiple copies of content at several stages of their technical processes. These myriad copies might arguably infringe one or more of the display, performance, distribution, reproduction, or other rights in copyrighted content. The application of ambiguous copyright doctrines to new Internet technologies could require service providers to take on unmanageable legal risk, necessarily discouraging beneficial innovation.

Congress has recognized as much. In order to ensure that copyright litigation didn’t smother the potential of the Internet, Congress passed Title II of the Digital

Millennium Copyright Act, which created of a set of statutory “safe harbors” that would “provide ‘*greater certainty* to service providers concerning their legal exposure for infringements that may occur in the course of their activities.’” *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004) (emphasis added). *See* 17 U.S.C. § 512. Its avowed purpose in passing the legislation was to stimulate the growth of the Internet as a forum for expression as well as electronic commerce. *See* S. Rep. No. 105-190, at 2 (1998) (“Title II ensures that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand.”).

The result has been an extraordinary success. Internet users today enjoy an unprecedented opportunity to create, disseminate, and access free expression. Online services, such as social media, video-sharing sites, and blogs have become vital to the ability of users to forge communities, access information, and discuss issues of public and private concern. However, the continuing ability of intermediaries to support these platforms for citizen participation depends on clear, inexpensive legal rules that, when followed, forestall crushing liability for the misdeeds of some users.

II. The Panel Opinion Adopts an Unworkable Inducement Standard that Fosters Uncertainty and Will Chill Innovation.

The central problem with the Panel Opinion is that it purports to establish a “relatively loose” causation standard, Op. at 36, without providing necessary

guidance to district courts or future innovators. As explained above, predictability is essential for businesses developing online services that benefit the public. Thus, an open-ended and difficult to apply causation standard may deter legitimate actors from providing services that rely on user-generated content.

A. The Panel Opinion Confusingly Misapplies *Grokster* and Departs from Well-Established Principles of Inducement and Causation.

The Supreme Court's decision in *Grokster* establishes the bounds of inducement liability in copyright law. The Court held that where there is "clear expression" of inducing intent or "other affirmative steps taken to foster infringement" then a defendant "is liable *for the resulting acts* of infringement by third parties." *Grokster*, 545 U.S. at 937 (emphasis added). It follows that, under *Grokster*, a defendant is liable only for third-party copyright infringement that results from its inducing acts. The Court also explained that in certain, very limited, circumstances, the distribution of a device can itself be an inducing act. *See id.* at 937-40. However, this only applies in the limited situation where the evidence clearly shows that the defendant distributed the relevant device with a "patently illegal objective." *Id.* at 941.

Thus, *Grokster* establishes a straightforward rule: where a defendant engages in acts of inducement, it can be held liable for the infringement that *results from those acts*. Rather than apply that straightforward rule, the Panel Opinion lays

out a perplexing account of the relationship between inducement, causation, and liability.

The Opinion begins by applying the central holding in *Grokster* to find that there was sufficient evidence in the record to conclude that Fung provided his isoHunt website with the object of promoting infringement. *See* Op. at 26-32. But then, in a troubling and unnecessary detour, the opinion strays beyond *Grokster* to disconnect the scope of liability from the inducing act. The Opinion thereby adopts a “loose causation theory,” according to which “the only causation requirement is that the product or service was used to infringe the plaintiff’s copyrights.” Op. at 33.

Contrary to the Panel Opinion, liability for inducement must bear a proximate relation, both in time and causation, to the actual acts of inducement. *Grokster* is not to the contrary. The *Grokster* Court expressly noted that secondary liability in copyright is based on common law liability principles. *See* 545 U.S. at 930. Fundamental to those principles is the requirement of proximate causation, because it ensures both fairness and predictability. *See Waters v. Merchants’ Louisville Ins. Co.*, 36 U.S. (11 Pet.) 213, 223 (1837) (Story, J.) (“It is a well-established principle of [the common] law, that in all cases of loss, we are to attribute it to the proximate cause, and not to any remote cause: *causa proxima non remota spectator*[.]”); *see also Exxon Co., U.S.A. v. Sofec, Inc.*, 517 U.S. 830, 838

(1996) (“[P]roximate causation principles are generally thought to be a necessary limitation on liability.”).

Having embraced the common law roots of secondary liability, the *Grokster* court did not simultaneously reject them in favor of an uncertain and unbounded theory of “loose causation.” Neither should this Court.

B. Analogous Patent Cases Apply the Inducement Rule Correctly and Show that a Defendant Can Only Be Held Liable for Infringement *Caused* by the Inducing Acts.

In *Grokster*, the Supreme Court’s inducement analysis relied heavily on the analogous rule in patent law. *See Grokster*, 545 U.S. at 936-37. Thus, patent decisions should provide helpful guidance for how causation should be understood in copyright inducement cases.

Patent suits often involve the sale of devices that have both infringing and non-infringing uses. As with copyright cases, courts are careful to avoid imposing liability where the technology or services have significant non-infringing uses. *See, e.g., Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321, 1328-30 (Fed. Cir. 2010); *ACCO Brands, Inc. v. ABA Locks Mfr. Co., Ltd.*, 501 F.3d 1307, 1313 (Fed. Cir. 2007). For example, in *Dynacore Holdings Corp. v. US Philips Corp.*, the Federal Circuit explained that if a plaintiff cannot prove that the defendants’ customers “necessarily infringe” the patent, it must point to “a specific instance of direct

infringement and restrict its suit to liability stemming from *that specific instance*.” 363 F. 3d 1263, 1275-76 (Fed. Cir. 2004) (emphasis added).

Having imported the concept of inducement from patent law, it seems likely that the Supreme Court intended to import as well the care and rigor characteristic of the patent liability analysis, particularly given the Court’s repeated acknowledgement that copyright must be interpreted in light of its broader public purpose. Consistent with that purpose, liability should not be based on “loose causation” but should only be found where the defendant’s inducing acts are shown to have caused specific acts of third-party infringement.

C. The Panel Opinion’s Loose Causation Standard Will Be Impossible for District Courts to Apply in Practice.

By unmooring liability from acts of inducement, the Panel Opinion makes it impossible to draw a fair boundary between legal and illegal conduct. The opinion raises the prospect of a single act of inducement (such as a message to a limited group of customers) opening the floodgates of liability for every act of infringement on a service. Given the harsh statutory damages remedies available in copyright law, such a rule could easily deter legitimate actors from investing in services like providing Internet access or hosting user-generated material.

The Opinion purports to address such concerns by allowing that a defendant could perform an act that would “rehabilitate, so to speak.” Op. at 35. Unfortunately, however, the Opinion provides no guidance as to what kind of act

might suffice to close the liability floodgates once they have been opened. Instead, the Opinion leaves it to the district court to figure out “the degree to which Fung can be held liable.” Op. at 37. This is an invitation to chaos. District courts and legitimate providers of multi-use tools will be scrambling to understand where liability might end. The likely result in practice: overblocking and monitoring of user activities, to the detriment of free speech and fair use.

D. The Panel Can Dispel Unnecessary Confusion by Simply Applying *Grokster*.

There was no need for the Panel Opinion to stray into uncharted territory. The Court should simply apply *Grokster*. If Fung’s objective was so patently illegal that the provision of the service was itself an inducing act, then he might be held liable where his distribution of this service *caused* third-party infringement. In all circumstances however, the plaintiff must prove that infringement was caused by the inducing act. It may be that the Panel never intended anything further. But the Opinion’s invocation of “loose” or even “relatively loose” causation is a recipe for uncertainty. Amicus urges the Court to revise the Opinion to offer a clear path to compliance.

A less preferable alternative would be to amend the Panel Opinion to state clearly that it should be limited to the specific – and unusual – facts and circumstances of this case.

CONCLUSION

For the foregoing reasons, Amicus urges the Court to grant Fung's Petition for Rehearing and/or amend the Panel Opinion.

Dated: April 15, 2013

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**CERTIFICATE OF COMPLIANCE
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Pursuant to Fed. R. App. P. 32(a)(7)(C), I certify as follows:

1. This Brief of Amicus Curiae In Support Of Petition for Rehearing complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 2,201 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(a)(7)(B)(iii); and

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6) because this brief has been prepared in a proportionally spaced typeface using Microsoft Word 2011, the word processing system used to prepare the brief, in 14 point font in Times New Roman font.

Dated: April 15, 2013

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CERTIFICATE OF SERVICE

I hereby certify that I electronically filed the foregoing with the Clerk of the Court for the United States Court of Appeals for the Ninth Circuit by using the appellate CM/ECF system on April 15, 2013.

I certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the appellate CM/ECF system.

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